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HANDLING INDICATOR

TO : DEPARTMENT OF STATE
 INFO : ADEN, AMMAN, ANKARA, BAGHDAD, BEIRUT, BONY FOR CINCUSAFE, CAIRO, DAMASCUS, FRANKFURT FOR KINDSEY AIR STATION, ATTN: DSC INTELLIGENCE IDCA, HEADQUARTERS USAREUR, HEIDELBERG, KARACHI, KHARTOUM, KUWAIT, LONDON, RAJAH, SAIZ, TEHRAN, TEL AVIV, POLAD CINCSTRIKE/CINCMEAFSA, COMIDEASTFOR, DIA
 FROM : Amembassy JIDDA
 SUBJECT : Monthly Review for Saudi Arabia - October, 1965

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SUMMARY

IRRELEVANT

The implementation of the long-delayed air defense program took a step forward with the decision to open negotiations with Lockheed for its package, although the Saudis have also sought U.S. Government intervention to obtain lower prices and longer term credit payments. Saudi air capabilities were strengthened during the month by the delivery of the first of several C-130E transport aircraft for the Royal Saudi Air Force. Other items of interest include recent statements on Saudi petroleum policy by the Minister of Petroleum and Mineral Resources, public indignation at Jidda electric power shortages resulting in a Government investigation and official criticism of the Jidda

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Jidda

Electric Company, and conclusion of agreement in substance with the U.S. Department of Interior for construction of a desalting plant in Jidda.

The U.S. image in Saudi Arabia remained high during the month, in part because of the promptness with which the U.S. Government moved in securing the delivery of the C-130E aircraft and in working out the general lines of the desalinization agreement. The U.S. relationship with Saudi Arabia will soon be tested, however, by the degree to which we appear forthcoming in response to Saudi requests for assistance in obtaining lower prices and longer-term credit terms for the air defense package.

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The U.S. military-conducted survey of the Persian Gulf, a preliminary to the drawing of a median line between Iran and Saudi Arabia, continued during October although for technical reasons it may be necessary to postpone completion of the survey operations until January or February. In the meantime, Aramco has become concerned that off-shore drilling operations of a French company operating under an Iranian concession may be slightly on what Aramco believes will be the Saudi side of the line. The Saudi Government has requested the Iranian Government to halt drilling operations in questionable areas in the Gulf until the Median Line has been established.

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D. Aviation

The long-delayed implementation of the 1964 Air Defense Program for Saudi Arabia took a halting step forward during October when the Saudi Supreme Defense Council at last authorized Minister of Defense and Aviation Prince SULTAN bin Abd al-Aziz to begin negotiations with the Lockheed Corporation concerning that company's air defense proposal. In a letter to U.S. Secretary of Defense MCNAMA dated October 11, Prince Sultan indicated that the Saudi Government was now prepared to accept the joint recommendations of the U.S. and Saudi review team which studied this problem last August. At the same time Sultan asked the Secretary to use his influence to reduce the price of the aircraft and related equipment and to obtain credit terms which would allow Saudi Arabia to pay for the package over a ten-year period.

The following week Mr. Courtland Gross, Chairman of the Board of Lockheed Corporation, and a party of company officials arrived in the Kingdom on the occasion of the delivery to the Royal Saudi Air Force of the first two C-130E Hercules transport aircraft purchased from Lockheed. In a ceremony at Riyadh Airport on October 19, at which the RSAF took possession of the planes, Sultan referred to the importance of these aircraft in linking the Kingdom together and in rendering general services* and fostering economic development. He also

FOOTNOTE: *According to a reliable source, the planes began "rendering general services" almost immediately when the RSAF training schedule on the new aircraft was interrupted to permit the planes to be used to transport Crown Prince Khalid furniture from his Jidda residence to Riyadh.

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announced that "by this time next year" Saudi Arabia will add to its Air Force "the first fighter aircraft of the most modern type in the world." During his visit to Riyadh Mr. Gross had an audience with the King and private discussions with Prince Sultan during which the subject of the Lockheed air defense package was raised. On October 26 Lockheed representatives began discussions with RSAF officers in Riyadh aimed at convincing the Saudis to forego the "crash" program presently envisaged and instead to spread the construction of ground components of the air defense system over a longer and more realistic period of time in order to reduce the cost of the program in each fiscal year.

In a reply to Prince Sultan dated October 31 Secretary McNamara assured the Prince of U.S. Government willingness to authorize the sale of the Lockheed package to Saudi Arabia. While expressing doubt that the U.S. could arrange the type of payments program Sultan referred to in his letter, the Secretary stated that his office would do what it could "to obtain a combination of both government and private financing arrangements which will do everything possible toward achieving your financial requirements."

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IRRELEVANT

A major step in the direction of alleviating Jidda's chronic shortage of both electric power and fresh water was taken October 9 when Minister of Agriculture Hassan MISHARI and Prince MUHAMMAD bin Faysal reached substantive agreement with U.S. Secretary of the Interior UDALL on the draft agreement for the construction of a \$14 million water desalination plant in Jidda capable of

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III. U.S.-SAUDI RELATIONS

As noted above, the Saudi Government has at last expressed its desire to open negotiations for the purchase of the Lockheed air defense package proposal. Insofar as conclusion of the sale is concerned, U.S. Government willingness and ability to respond to Prince Sultan's request for payments assistance may well be crucial.

Otherwise, the promptness with which the first C-130E delivery took place and the progress toward conclusion of the desalinization plant agreement have had a favorable effect on the King and on Saudi Government opinion. Conversely, the Saudi press has reacted with considerable moderation during the current Palestine debate at the UNGA and there has been relatively little specific criticism in the press of the U.S. role in creating Israel or of the U.S. reduction in its annual contribution to UNRWA. The U.S. has also been, indirect a beneficiary of the anti-Communist campaign, stimulated by events in Indonesia, being waged by the Saudi press this month.

For the Charge d'Affaires, a.i.:

Brooks Wrangelmeier

Brooks Wrangelmeier
Second Secretary of Embassy

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